

Level

0	No valid discussion.	0
1	Few relevant concepts recognized. Little discussion or only basic understanding.	1–2
2	Relevant concepts recognized and developed in reasonable depth. Some attempt at application and analysis.	3–5
3	Relevant concepts developed in reasonable depth, demonstrating effective evaluation, supported by appropriate evidence or theory.	6–8

5. (a) Define the following terms indicated in bold in the text:

(i) corruption (*paragraph 6*) *[2 marks]*

level

0	<i>Wrong definition</i>	0
1	<i>Vague definition</i> The idea that it is an illegal activity.	1
2	<i>Precise definition</i> An explanation that it is any of: <ul style="list-style-type: none"> • the abuse of public office for private gain • the abuse of power • the dishonest use of power (position). 	2

N.B. A weak explanation plus an appropriate example would be acceptable for *[2 marks]*. Examples might include activities such as bribery, misuse of contract payments, and embezzlement. This is a difficult definition to give in an exact sense, so examiners will need to use their judgment. If understanding of the term is clear, then this approach should be fully rewarded.

(ii) poverty cycle (*paragraph 6*). [2 marks]

level

0 *Wrong definition* 0

1 *Vague definition* 1
The idea that it is difficult to escape being poor.

2 *Precise definition* 2
An explanation that it is any logical circular chain of events starting and ending in any one of the causes of poverty, such as low income, low savings levels, low investment, low growth, low education levels, or poverty itself.

N.B. A correctly drawn, appropriate, poverty cycle would be sufficient for full marks.

(b) Using an appropriate diagram, explain how a maximum price for fuel will impact on the market for fuel in Nigeria. [4 marks]

level

0 *Inappropriate answer* 0

1 *Identification of appropriate theory* 1–2
For drawing a demand and supply diagram showing a maximum price below the market equilibrium price of fuel, and indicating a shortage or for explaining that at the maximum price, demand exceeds supply and so excess demand (a shortage) exists.

2 *Correct application of appropriate theory* 3–4
For drawing a demand and supply diagram showing a maximum price below the market equilibrium price of fuel, and indicating a shortage and for explaining that at the maximum price, demand exceeds supply and so excess demand (a shortage) exists.

Candidates who incorrectly label diagrams can receive a maximum of [3 marks].

The use of P and Q on the axis is sufficient for a demand and supply diagram. A title is not necessary.

- (c) Using an appropriate diagram, explain how the discovery of new oil deposits may affect the potential output of Nigeria. [4 marks]

level

- | | | |
|---|---|-----|
| 0 | <i>Inappropriate answer</i> | 0 |
| 1 | <i>Identification of appropriate theory</i>
For drawing a PPC diagram showing an outward shift of the PPC curve
or for explaining that the discovery of new oil deposits increases the
quantity of factors of production thus increasing potential output. | 1–2 |
| 2 | <i>Correct application of appropriate theory</i>
For drawing a PPC diagram showing an outward shift of the PPC curve
and for explaining that the discovery of new oil deposits increases the
quantity of factors of production thus increasing potential output. | 3–4 |

Candidates who incorrectly label diagrams can receive a maximum of [3 marks].

For a PPC, the axis could be two alternative products, one for each axis, *e.g.* Good A and Good B; or two groups of products, *e.g.* consumer goods and capital goods. A title is not necessary.

N.B. Candidates may instead use an LRAS diagram, showing a shift to the right of the LRAS, and give the same explanation as above. If this is illustrated and explained fully, then this approach should be fully rewarded.

For AD/LRAS, the vertical axis may be price level, average price level, or inflation. The horizontal axis may be output, real output, national output, real national output, national income (Y) or GDP. Any appropriate abbreviations such as APL, CPI, RNO, or RNY are allowable. A title is not necessary.

- (d) Using information from the text/data and your knowledge of economics, evaluate the consequences of oil dependency on the growth and development of Nigeria.

[8 marks]

Responses may include:

- a definition of growth
- a definition of development
- an explanation of oil dependency.

Possible advantages of oil dependency:

- high export revenue from oil (95 % of export revenue) (*paragraph 4*)
- employment for 35 000 Nigerians (*paragraph 3*)
- the industry generates higher incomes than other industries
- the industry should generate revenue for the government
- the increased government revenue should allow more spending on education, health and infrastructure (*paragraph 6*)
- the PED of oil is inelastic
- the increased government spending should allow a higher standard of living for all Nigerians.

Possible disadvantages of oil dependency:

- the high dependency on oil (95 % of export revenue) leaves Nigeria very exposed to any fluctuations in price and demand for oil (*paragraph 4*)
- in a country of 140 million people, the oil industry only employs 35 000 people (*paragraphs 1 and 3*)
- oil production is relatively capital intensive, so does not provide much extra employment
- the dependency on oil has distorted investment decisions and caused neglect of other industries (*paragraph 4*)
- oil is a depletable resource and may run out
- possibility of negative externalities from drilling, fuel prices, *etc.*
- dependence on multinational oil companies to provide investment and to run the operations.

Effective evaluation may be to:

- consider short-term versus long-term consequences
- examine the impact on different stakeholders
- discuss advantages and disadvantages
- prioritize the arguments.

Examiners should be aware that candidates may take a different approach which if appropriate, should be rewarded.

If there is no direct reference to the text/data, then candidates may not be rewarded beyond level 2.

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